Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

Message Text

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PAGE 01 TEHRAN 01544 161446Z
ACTION NEA-10

INFO OCT-01 ISO-00 EB-08 /019 W
----------161454Z 064226 /46
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FM AMEMBASSY TEHRAN
TO SECSTATE WASHDC 1308
USDOC WASHDC

UNCLAS TEHRAN 1544
EO 11652: N/A
TAGS: BEXP, IR
SUBJ: CHAH BAHAR POWER/WATER PROJECT ENVIROGENICS SYSTEMS PROPOSAL

REF: 76 TEHRAN 12626 AND PREVIOUS

1. FOLLOWING AN EXCHANGE OF TELEPHONE CALLS BETWEEN ECONOMIC/ COMMERCIAL
COUNSELOR AND LARRY MAYFIELD, VICE PRESIDENT OF ENVIROGENICS, IT WAS THOUGHT ADVISABLE THAT MR. MAYFIELD MAKE A QUICK VISIT TO TEHRAN TO ASCERTAIN THE STATE OF PLAY WITHIN GOI ON THE ENVIROGENICS' BID FOR THE CHAH BAHAR PROJECT. BOTH MR. MAYFIELD AND EMBOFF SPOKE WITH DEPUTY MINISTER TAVANA AND RESULTS OF THESE CONVERSATIONS FOLLOW:

2. TAVANA SAID THAT POSTPONEMENT OF CHAH BAHAR NAVAL BASE CON-STRUCTION
MIGHT MEAN POSTPONEMENT OF DESALINATION/WATER PROJECT, BUT HE THOUGHT THIS UNLIKELY. HE SAID THAT PLAN AND BUDGET ORGANIZATION (PBO) IS ONCE AGAIN REVIEWING DETAILS OF THE PROJECT, AND HE HOPES TO HAVE A DECISION WITHIN TWO WEEKS TIME. HE ADDED THAT HE WOULD SEND A LETTER TO PBO TODAY (FEBRUARY 16) ASKING PBO TO MOVE AHEAD WITH ITS DELIBERATIONS. HE STATED THAT ADEQUATE FUNDS AVAILABLE IN MINISTRY'S BUDGET TO BEGIN WORK ONCE DECISION ON FOREIGN CONTRACTORS IS REACHED. (MAYFIELD, HOWEVER, WAS TOLD BY ONE OF THE MINISTRY'S ENGINEERS THAT LATTER DOUBTED THAT PROJECT FULLY FUNDED AND NO FINAL DECISION COULD BE REACHED BEFORE NEW IRANAIN FISCAL YEAR.)
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PAGE 02 TEHRAN 01544 161446Z

3. DEPUTY MINISTER CONCEDED THAT FRENCH FIRM SIDEM, COLLABORATING WITH BABCOCK OF GERMANY AND IDRO HERE, HAD BEEN INVITED TO SUBMIT A PROPOSAL ON THE PROJECT DESPITE FACT THAT TENDERS CLOSED MANY MONTHS AGO. DEPUTY MINISTER LEFT IMPRESSION WITH MAYFIELD, HOWEVER, ISDEM PROPOSAL NOT SERIOUSLY BEING CONSIDERED BY MINISTRY SINCE PRICES QUOTED SUBSTANTIALLY HIGHER THAN PRICES

Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

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MINISTRY NOW HAS FROM ENVIROGENICS AND ITALIAN FIRM SIR. DEPUTY MINISTER ASSERTED TO EMBOFF THAT SIR PRICES ARE A BIT LOWER THAN ENVIROGENIC'S BID, BUT HE DID NOT PUT PARTICULAR EMPHASIS ON THIS POINT. MAYFIELD SAYS SIR'S COST OF WATER PRICE IS LOWER BUT OTHERWISE ENVIROGENICS' QUOTATIONS UNDER THOSE OF SIR.

4. MAYFIELD TOLD DEPUTY MINISTER THAT ENVIROGENICS HAS $2 MILLION TIED UP IN BID BONDS WHICH WOOULD EXPIRE MARCH 8 AND WONDERED IF DECISION COULD NOT BE REACHED BY THEN. DEPUTY MINISTER EXPRESSED APPRECIATION OF DIFFICULTY THIS CAN CAUSE ENVIROGENICS BUT DID NOT THINK EXTENSION WOULD BE NECESSARY.

5. MAYFIELD INFORMED DEPUTY MINISTER THAT ENVIROGENICS IS PREPARED TO DO FOLLOWING: (1) IMPROVE FINANCING PACKAGE IF SUCH WOULD BE OF INTEREST TO GOI; (2) MANUFACTURE IN IRAN AS MUCH OF MACHINERY AND EQUIPMENT FOR PROJECT AS POSSIBLE; (3) MAKE FURTHER DOWNWARD ADJUSTMENTS IN INDIVIDUAL PRICES VIA NEGOTIATIONS ON VARIOUS PORTIONS OF ENVIROGENICS' BID PROVIDED GOI INDICATES ENVIRO-GENICS WILL ULTIMATELY BE SELECTED. TAVANA ASKED FOR LETTER CONFIRMING THIS THREE-FOLD UNDERTAKING AND MAYFIELD WILL DO SO.

6. EMBASSY WILL REPORT FURTHER DEVELOPMENTS AS THEY OCCUR.
MIKLOS

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Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009

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Disposition Comment:
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Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
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